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C O N F I D E N T I A L SECTION 01 OF 04 ABUJA 000417

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TAGS: [PGOV](#) [KCOR](#) [NI](#)

SUBJECT: PTDF - EXPOSING NIGERIA'S EXECUTIVE MALFEASANCE

REF: A. ABUJA 402  
[1](#)B. ABUJA 322  
[1](#)C. ABUJA 321  
[1](#)D. 06 ABUJA 2773

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Classified By: Ambassador John Campbell for reasons 1.4. (b & d).

[1](#)1. (C) SUMMARY. The Senate report on the Petroleum Technology Development Fund (PTDF) provides a detailed account of the non-transparent nature of the PTDF and, in particular, specific actions taken by both President Obasanjo and Vice President Atiku which fall outside the mandate of the fund and appear to be clear cases of misappropriation of funds. The report shines a light on the institutional failures that allow for large-scale graft and mismanagement in this multimillion dollar account. As well, it points to specific cases of malfeasance and mismanagement of millions of dollars in public funds. While the report presents evidence that both Vice President Atiku and President Obasanjo were involved in the misappropriation of PTDF funds, it concludes by recommending Atiku be sanctioned for offenses, but Obasanjo only be "advised to adhere strictly to the provisions of the law." END SUMMARY.

THE PTDF: A PRIMER  
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[1](#)2. (SBU) The Petroleum Technology Development Fund (PTDF) was established in 1973 to train Nigerians in the fields of engineering, geology, science and management in the petroleum and gas industry within Nigeria and abroad. Until 2000, the PTDF was administered by the Department of Petroleum Resources (DPR), though in actuality it was mainly dormant. In September 2000, the GoN set up an Interim Management Committee to administer the fund. The Committee was comprised of the Vice President and representatives of the DPR, Nigeria National Petroleum Corporation (NNPC), Petroleum Training Institute and the Ministry of Petroleum Resources (headed by the Presidential Advisor on Petroleum and Energy and subsequently the Minister of State for Petroleum Resources -- President Obasanjo). The PTDF receives its funding from statutory income (signature bonuses and fees on oil block concessions, bidding fees and charges from acreage allocations received by the DPR) and investment income (interest and proceeds made on investments of the fund's

capital).

13. (C) Hundreds of millions of dollars have been allocated to the PTDF since 2000, though remarkably, the NNPC, DPR, Central Bank (CBN), PTDF and the Accountant General of Nigeria could not come close to agreeing on the exact amount.

According to the Director of the DPR, more than 1.7 billion USD has been paid into the PTDF since its inception in 1973, with more than 700 million USD paid between 2000 and 2006. However, the Executive Secretary of the PTDF testified that the PTDF received just over 390 million USD from 1999 to 2006, noting that the PTDF did not receive any funding in 2002, 2004 and 2005. (COMMENT: The 2005 bidding round for 30 oil blocks resulted in signature bonuses of as much as 2.5 billion USD by some calculations. The report did not probe further into the PTDF statement that no funds were received in 2005. END COMMENT.)

#### INSTITUTIONAL FAILURES: PAVING THE WAY FOR CORRUPTION

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14. (C) The scope of institutional failures and the levels of malfeasance uncovered in the committee report are remarkable.

A former internal auditor of the PTDF testified that the fund "lacks administrative and financial checks and controls." This appears to be the case throughout the system, as the Committee found that the Accountant General manages two of the six PTDF accounts in the CBN and that PTDF management was even unaware of the existence of these two accounts. The report confirmed that the management of the PTDF was unable to ascertain the inflows into various PTDF accounts at the CBN. As well, those heading the PTDF Finance Department were not privy to all financial decisions of the fund. "Huge" sums of money were found to be kept on the premises of the PTDF office without regard to security or accounting practices. The report also determined that lack

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of financial controls resulted in more than 5 million USD of PTDF funds being trapped in distressed Nigerian banks. No audit of PTDF accounts has been conducted since 2002.

15. (C) Beyond a lack of adequate financial checks and balances, representatives of PTDF management testified that "some things were done impromptu and several things were done outside the budget approved by the government." The report found that several grants and loans were sourced from the PTDF account on projects and programs which are not in line with the law establishing the fund. In addition, it was found that federal ministries were able to access money from the fund for unrelated ministry projects. The Committee did not investigate potential inflation of contracts or corruption at the individual project level. (NOTE: Hussein Jallo, Executive Secretary of the PTDF for only five months from July to November 2005, is being prosecuted by the EFCC. To date the EFCC has recovered 49 million Naira (382,000 USD) and six vehicles from Jallo.)

#### THE CASE AGAINST THE VICE PRESIDENT

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16. (C) The Committee report expanded upon allegations made by Obasanjo (Ref D), finding some of the allegations to be accurate and some without base. In particular, the report found that disbursements of 125 million and 20 million USD made to the PTDF in 2003, upon Atiku's approval, for eight specific PTDF projects were largely invested through accounts at the Equitorial Trust Bank (ETB) and the Trans International Bank (TIB) rather than being used for the projects intended.

17. (C) Following (though not immediately) several of the deposits at TIB, loans were granted to NDTV, Mofas Shipping, and Transvari Services -- all companies with demonstrated links to Atiku. These loans, as confirmed by the director of Spring Bank (the bank which took over the failing TIB under a

bank consolidation program) were "irregular, poorly documented and uncollateralised." The committee found no evidence of any other entity investing in the controversial NDTV/i-Gate transaction other than the TIB loans believed to have originated from PTDF funds. In addition, the committee was unable to ascertain the status of the eight PTDF projects for which the funds were originally released. The committee noted that "the placement in TIB for the purpose of financing the NDTV/i-Gate deal, a purely private transaction, as against the putative purposes for which the funds were released in the first place amounts to misappropriation of public funds and abuse of public trust." (NOTE: According to the report, 1.13 billion Naira (8.8 million USD) loaned to NDTV, 420 million Naira (3.3 million USD) to Mofas Shipping and 300 million Naira (2.3 million USD) to Transvari Services by TIB remain unrecovered, though they have been restructured.)

18. (C) Contrary to Obasanjo's allegations (Ref. D), the Committee found no evidence of any lending relationship between ETB and Globacom, nor any link between the PTDF and Marine Float Limited accounts. In addition, the committee found no evidence of any link between the PTDF and Mike Otunba Adenuga. The observation that funds were placed in investment accounts without regard to the original purpose for which the funds were released also applied, however, to the funds placed in ETB.

#### THE CASE AGAINST THE PRESIDENT

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19. (C) Following the removal of authority over PTDF funds from the Office of the Vice President in late 2005, the Committee found that President Obasanjo personally approved several projects which were outside the legislated mandate of the PTDF and approved the use of PTDF funds by federal ministries for ministry projects. Though conceding that many of these projects may be laudable, the Committee noted that they fall outside the purview of the fund "no matter how liberally construed." It was noted that the Federal Executive Council retroactively approved these projects, though the Committee maintained this does not legitimize an action that had no legal basis to begin with.

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10. (C) The report ran through all projects funded by the PTDF in 2006, noting that four of the nine projects funded were outside the PTDF mandate. In particular, these were:

-- Establishment of an African Institute of Science and Technology in the Federal Capital Territory. (25 million USD) Funds were allocated as Nigeria's share of the cost for the establishment of a "technology village" to provide managerial training for Gulf of Guinea projects. No legislation has ever been introduced, nor sought, to establish such an institution. No such institute yet exists in a legal sense. (NOTE: Groundbreaking for the institute occurred in February on the outskirts of Abuja.)

-- Incorporation of Galaxy Backbone PLC. (17.2 million USD) Funds were used to set up and incorporate a private company to work on harmonization of the telecommunications infrastructure. (As well, the PTDF paid the 1.95 million USD legal bill for the law firm which filed the incorporation.)

-- Computers for All Nigerians Initiative. (10 million USD) The PTDF funded a portion of the Ministry of Science and Technology subsidized loan program for civil service employees to purchase home computers. The Committee notes that a revolving loan for subsidized computers cannot be viewed as an investment and is therefore outside the investment authority of the PTDF.

-- Progress report on the Obasanjo Administration and photographs for the State House Library. (35,000 USD) The

Committee noted that this project does not fall within the PTDF mandate "by any stretch of interpretation." In addition, the Committee recommends these funds be returned to the PTDF.

¶11. In response to Atiku's allegations that 20 billion Naira (156 million USD) approved for release by Obasanjo in May 2006 was used to fund the third term agenda, the Committee noted only that on September 13, the Accountant General's Office authorized 10 billion Naira (78 million USD) be released to the PTDF to fund the six projects in the May request. PTDF management confirmed that, to date, only 10 billion Naira of the requested 20 billion has been released to the Fund. (NOTE: The report did not ask the question of where the remaining 10 billion Naira is currently, if/when it will be released to the PTDF, nor the status of the six projects.)

#### RECOMMENDATIONS SHOW JUSTICE NOT BLIND

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¶12. (C) The Committee recommends funds be recovered from NDTV, Mofas Shipping Company and Transvari and any offenses prosecuted. In addition, it recommends prosecution of PTDF Executive Secretary from September 2000 to July 2005 Hamisu Abubakar and continued prosecution of former Executive Secretary Hussein Jallo. When it comes to recommendations

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for the Vice President and President, however, the Committee is much less willing to call for outright prosecution and, in the case of Obasanjo, recommends no putative action. The Committee notes that Vice President Atiku "abused his office by aiding and abetting the diversion of public funds" and recommends that he be "sanctioned for any offenses." With regard to President Obasanjo, however, the Committee notes only that he "acted in disregard of the law establishing the PTDF" and recommends that "the President be advised to adhere strictly to the provisions of the law of the PTDF."

¶13. (C) The Committee recommends amending the PTDF Act to provide for a Board of Trustees, statutory audits and a reorganization of management to insulate it from politics. It calls for no further funding of 2006 projects deemed to be outside the PTDF mandate. The report also recommends a Senate evaluation of all PTDF projects since 2003 and tasks the Senate to find all accounts existing in the name of the PTDF both within and outside Nigeria.

#### BLATANT CORRUPTION REVEALED

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¶14. (C) COMMENT. The Senate report provides what is likely the most credible direct proof of blatant corruption within the villa we have seen. Given the number of witnesses, their credibility and the overwhelming similarities in the testimonies given, the Committee could not easily overlook the illegal actions of both Atiku and Obasanjo. That said, the recommendations of the Committee are clearly softer on Obasanjo than Atiku. While no claim of corruption in the Nigerian context can be accepted as completely accurate, post believes the observations and findings contained in the Senate report may be the closest we can come to finding out what actually happened to the PTDF funds. END COMMENT.  
CAMPBELL